

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 COME-00 TRSE-00 OMB-01 L-02 NIC-01

SAJ-01 SAM-01 INT-05 COA-01 AGR-05 CIAE-00 INR-07

NSAE-00 RSC-01 H-01 STR-01 /041 W

----- 051252

P R 060914Z FEB 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 3747

INFO USLO PEKING PRIORITY

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

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EO. 11652: N/A

TAGS: ETRD EFIS CH US

SUBJ: SETTLEMENT OF FROZEN SHRIMP CLAIM WITH PRC

REF: HONG KONG 1340

1. SUPPLEMENTING REFTEL, FURTHER CONVERSATIONS HERE WITH SEABROOK FOOD PRESIDENT BERGER PROVIDED FOLLOWING ADDITIONAL INFORMATION ON ABOVE SUBJECT:
A. ALTHOUGH EMPHASIZING THAT ALL PARTIES--- SEABROOK, INSURANCE COMPANY OF NORTH AMERICA (INA) AND PRC (CEROILFOOD) --- ARE VERY PLEASED WITH FINAL SETTLEMENT, BERGER APOLOGIZED FOR NOT BEING ABLE TO REVEAL NATURE OF SETTLEMENT TO US. INFERENCE DRAWN BY CONGENOFF IS PROBABLY THAT PRC'S ADMITTING FAULT ON SUCH A SIZEABLE CLAIM-- POSSIBLY LARGEST YET (\$600,000) -- IS A RATE PRECEDENT AND ANY PUBLICITY THEREON MAY PROVE EMBARRASSING AND HURT SEABROOK'S FUTURE BUSINESS RELATIONSHIPS.

2. BERGER SAYS HIS SEVEN CONTINUOUS DAYS OF HARD ARGUING AND NEGOTIATING SESSIONS WERE PROBABLY THE MOST DIFFICULT HE HAS EVER PARTICIPATED IN. HE
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CHARACTERIZED THE PRC NEGOTIATING LEADER, IDENTIFIED

AS HEAD OF CEROILFOOD'S AQUATIC DIVISION, AS A HIGHLY SHREWD NEGOTIAHDR AND HARD BARGAINER, BUT A GENTLEMAN; FOR WHEN THE CLAIMANTS' UNDENIABLE EVIDENCE AND FACTS WERE ALL PUT TOGETHER, HE GRACEFULLY ACCEPTED THE IMPLICATIONS AND MADE THE BEST DEAL POSSIBLE. GERGER ALSO VOICED HIGH PRAISE FOR THE SKILLFUL PERSISTENCE OF HIS TEAM'S LAWYER, HARNED HOOSE, AND FOR CONGENOFFS IDEAS AND POINTS UTILIZED BENEFICALLY IN THE NEGOTIATING DISCUSSIONS. ALTHOUGH FINAL CLAIMS SETTLEMEN, INCLUDING INA'S REEASE, WAS SIGNED AT 1:30A.M., FEBRUARY 5, THE CEROILFOOD DELEGATION WAS AT BERGER'S HOTEL AT 5:30 A.M. THAT SAME MORNING TO ESCORT HIM TO HIS TRAIN DEPARTURE ALONG WITH VERY WARM WISHES FOR THEIR CONTINUED FUTURE VISINESS RELATIONSHIPS.

3. COMMENT. WHILE MORE PRECISE DETAILS WILL EVENTUALLY COME TO LIGHT, OUR TENTATIVE GUESS IS THAT THE SETTLEMENT FORMULA PROBABLY WAS MADE UP OF THE FOLLOWING PARTS:

- A. SEABROOK AND INA TO SELL TO THIRD COUNTRIES THE FDA- REJECTED SHRIMP SHIPMENTS CURRENTLY STORED IN NEW YORK BONDED WAREHOUSE-- PROBABLY WORTH \$150-200,000.
 - B. SEABROOK TO GET SUBSTANTIAL DISCOUNTS FROM FUTURE LARGE FOREIGN SHRIMP PURCHASES -- PROBABLY WORTH ANOTHER ESTIMATED \$200,000.
 - C. SEABROOK AND INA TO ABSORB BONDED WAREHOUSE STORAGE AND INTEREST COSTS.
 - D. NO MONEY TO CHANGE HANDS BUT SEABROOK TO HAVE APPROXIMATELY \$100,000-150,000 CREDIT AGAINST FUTURE PURCHASES.
 - E. SEABROOK AND INA TO FOREGO APPROXIMATELY ANOTHER 100-150,000 IN THEIR CLAIMS.
- WITH HOOSE AND Y.Y. WONG DUE FROM CANTON TODAY, PERHAPS WE MAY BE ABLE EXTRACT SOME FUTHER DETAILS ON PRECISE SETTLEMENT TERMS.

4. SETTLEMENT REMOVES LARGE BLACK CLOUD THREATENING OUR TRADE RELATIONS-- NAMELY, THE THREAT OF NO FUTHER INSURANCE COVERAGE ON FUTURE FOOD IMPORTS FROM THE PRC. ALSO, FROZEN SHRIMP MAY NOW DEVELOP AS LARGE US IMPORT LIMITED OFFICIAL USE

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ITEM ALONG WITH POSSIBLY OTHER FROZEN FOOD ITEMS. COUPLED WITH SUCH RECENT GOOD NEWS ITEMS AS THE CURRENT VISITATION OF A TRADE DELEGATION ON GAS TURBINES, THE CHINATEX DELETATION LATER THIS MONTH, AND THE MAJOR CCPIT GROUP IN SEPTEMBER, THIS FAVORABLE MAJOR CLAIMS SETTLEMENT HOPEFULLY IMPLIES CHINA'S DESIRE TO PUT OUR FUTURE TRADE RELATIONS ON A MORE SOLID BASIS. WHAEVER CHINA'S REASONS FOR THESE FAVORABEL MOVES--

HER DESIRE FOR MORE EXPORTS TO THE US AND OR TO HELP
IMPROVE CLIMATE FOR RESOLVING PENDING COMMERICAL AND FINANCIAL
ISSUES --- THE CURRENT PATTERN OF EVENTS IS HOPEFUL.
CROSS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, SHELLFISH, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975HONGK01392
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750043-0802
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750267/aaaacigu.tel
Line Count: 119
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 HONG KONG 1340
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUL 2003 by CunninFX>; APPROVED <13 NOV 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SETTLEMENT OF FROZEN SHRIMP CLAIM WITH PRC
TAGS: ETRD, EFIS, CH, US, SEABROOK FOODS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006